

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ADP-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 L-03 H-03 PRS-01 PA-03 USIA-15 AGR-20 TAR-02

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FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC PRIORITY 5494

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AMEMBASSY PARIS

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TAGS: ETRD, MA, US

SUBJ: MALAGASY COMMERCIAL POLICY

REFS: TANANARIVE 1415, 11/24/72(NOTAL); TANANARIVE 417, 3/26/73
TANANARIVE 481, 4/9/73(NOTAL); TANANARIVE 737, 6/5/73(NOTAL).

BEGIN SUMMARY: IN PURSUIT OUR OBJECTIVE OF NON-DISCRIMINATORY
MALAGASY IMPORT REGIME VIS-A-VIS US EXPORTS, MALAGASY PREPARED
ANNOUNCE IN ABOUT TWO WEEKS ELIMINATION OF OBVIOUS DISCRIMIN-
ATION IN FAVOR OF FRANCE AND OTHER EEC COUNTRIES IN IMPORT LIC-
ENSING SYSTEM. MALAGASY ALSO TENDING TOWARD POSITION FAVORING
ABOLITION OF REVERSE PREFERENCES. WILL REMAIN NECESSARY HOWEVER
WATCH FOR POSSIBILITY OF MORE SUBTLE AND HARDER TO DETECT MEASURES
OF DISCRIMINATION IN FUTURE. END SUMMARY.

1. DURING WIDE-RANGING TALK 25JUL WITH MALAGASY MINECON & FINANCE
RAMAROSON (PLUS SEC GEN ECON & FINANCE, DIR GEN ECON, AND DIREC-
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TOR OF COMMERCE). I OBTAINED INDICATIONS OF DIRECTION MALAGASY

COMMERCIAL POLICY WILL TAKE NOW THAT MADAGASCAR NO LONGER TIED TO FRANCE (AND OTHER EEC COUNTRIES) BY RESTRICTIVE 1960 COMMERCIAL ACCORD.

2. I STATED THAT US SEEKS MALAGASY APPLICATION OF IMPORT REGIME THAT WILL NO LONGER DISCRIMINATE AGAINST AMERICAN EXPORTS, AS RECIPROCITY FOR NON-DISCRIMINATORY REGIME US GENERALLY APPLIES TO MALAGASY EXPORTS. I REFERRED SPECIFICALLY TO NON-DISCRIMINATION IN IMPORT LICENSING, QUOTAS AND TARIFFS (I.E., REVERSE PREFERENCES).

3. MINISTER REPLIED THAT GOMR EXPECTS ANNOUNCE NEW IMPORT SYSTEM IN ABOUT TWO WEEKS. ALL IMPORTS WILL IN FUTURE BE SUBJECT TO LICENSING (RATHER THAN JUST THOSE FROM NON-FRENCH FRANC ZONE, NON-EEC COUNTRIES AS IN PAST). FRANCE WILL BE TREATED, HE SAID, LIKE "FOREIGN COUNTRY" -- THAT IS, IT AND OTHER EEC COUNTRIES WILL IN FUTURE BE ON SAME FOOTING AS OTHER COUNTRIES.

4. PURPOSE OF IMPORT LICENSING SYSTEM WILL BE TO PROTECT MADAGASCAR'S FOREIGN EXCHANGE RESERVES NOW THAT IT HAS WITHDRAWN FROM FRENCH FRANC ZONE. IT CLEAR FROM STATEMENTS OF MIN AND OTHERS AT MEETING THAT IMPORT LICENSING WILL ALSO PROVIDE GOVT WITH OPPORTUNITY TO STEER IMPORT PURCHASES TO THOSE COUNTRIES WHICH OFFER MOST ADVANTAGE TO MADAGASCAR. IN THIS CONNECTION SZCGEN ECON & FINANCE POINTED TO PRICE ADVANTAGE US NOW HAS AS RESULT DECLINE IN VALUE OF DOLLAR.

5. MALAGASY OFFICIALS ALSO MADE IT CLEAR THAT THEY CONSIDERING ALL ASPECTS OF POLICY--MONETARY, FINANCIAL, COMMERCIAL, ETC.-- TO DETERMINE HOW BEST TO SERVE INTERESTS OF THEIR COUNTRY. THEY ASKED FOR EXAMPLE WHAT COUNTERPART THEY COULD EXPECT FROM US FOR LIBERALIZING THEIR IMPORT REGIME IN OUR FAVOR. I POINTED TO PRESIDENT'S REQUEST FOR LEGISLATIVE AUTHORIZATION OF GENERALIZED PREFERENCES TO LDC'S WHICH DO NOT DISCRIMINATE AGAINST US EXPORTS. MALAGASY WOULD IN ADDITION HOWEVER LIKE SOME SPECIAL RECOGNITION OF THEIR PROBLEMS, LEAVING INFERENCE THAT RESPONSEQD TO THEIR REQUESTS FOR US ACTION IN HELPING (A) RESOLVE VANILLA PRICING PROBLEM ARISING FROM DROP IN VALUE OF DOLLAR AND (B) MEET CRITICAL RICE NEED -- BOTH OF WHICH DEALT WITH IN SEPARATE TELS -- COULD AFFECT GOMR DECISIONS ON IMPORT FROM US.

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6. ON REVERSE PREFERENCES MIN INDICATED AFRICAN "ASSOCIES" AND "ASSOCIABLES" TRYING TO FIND COMMON POSITION FROM WHICH TO DEAL WITH EEC COUNTRIES (FOR WHICH MALAGASY OFFICIALS WELL UNDERSTAND ONE SHOULD READ FRANCE). HE INDICATED MALAGASY TENDING TOWARD ABOLITION OF REVERSE PREFERENCES AS UNJUSTIFIED DEVELOPED COUNTRY DEMAND ON DEVELOPING COUNTRIES. HOWEVER GOVT HAS NOT YET ADOPTED OFFICIAL POSITION AND NO SPECIFIC

INSTRUCTIONS ALONG THIS LINE SEEM TO HAVE GONE TO MALAGASY AMB
IN BRUSSELS FOR PRELIMINARY NEGOTIATIONS OPENING TODAY THERE.

7. COMMENTS: WE ARE CLEARLY MAKING PROGRESS TOWARD OUR COMMER-
CIAL OBJECTIVES IN MADAGASCAR. ELIMINATION OF OBVIOUS PAST DIS-
CRIMINATION IN IMPORT LICENSING SYSTEM IS AN IMPORTANT STEP.
ANTICIPTED MALAGASY SUPPORT FOR ELIMINATION OF REVERSE PREFER-
ENCES WILL BE ANOTHER. BUT WE SHALL HAVE TO CONTINUE
TO WATCH FOR WHAT MAY BE MORE SUBTLE AND HARDER TO DETECT FORMS
OF DISCRIMINATION IN DAY-TO-DAY APPLICATION OF IMPORT SYSTEM IN
FUTURE.MENDENHALL

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